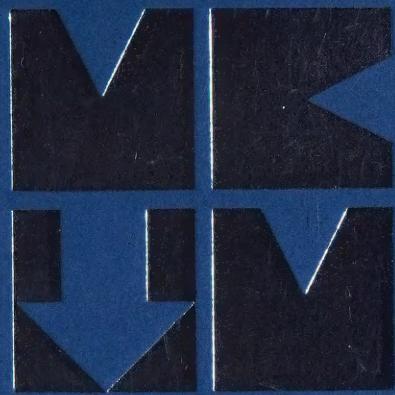


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MANITOU-BARVUE MINES LIMITED

ANNUAL REPORT 1973



MANITOU-BARVUE MINES LIMITED

Officers

Daniel L. Marcus	President
Morton R. Goldhar	Vice-President and Treasurer
Gordon R. Cameron	Vice-President, Operations
Irwin Singer	Secretary

Directors

Gordon R. Cameron	Malartic, Quebec
Harold P. Coplan	Ottawa, Ontario
Bronius Duda	Kagawong, Ontario
Morton R. Goldhar	Toronto, Ontario
David Hoffman	Hamilton, Ontario
Daniel L. Marcus	Ottawa, Ontario
John R. Woods	Ottawa, Ontario

Mine Manager

R. George Muscroft, B.A.Sc., P.Eng.	Val d'Or, Quebec
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Consulting Geologist

Denis R. Agar, B.Sc., Eng.	Val d'Or, Quebec
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Auditors

Thorne Gunn & Co.	Toronto, Ontario
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Bankers

The Bank of Nova Scotia	Toronto, Ontario
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Registrar and Transfer Agent

Guaranty Trust Company of Canada	Toronto, Ontario
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Share Listing

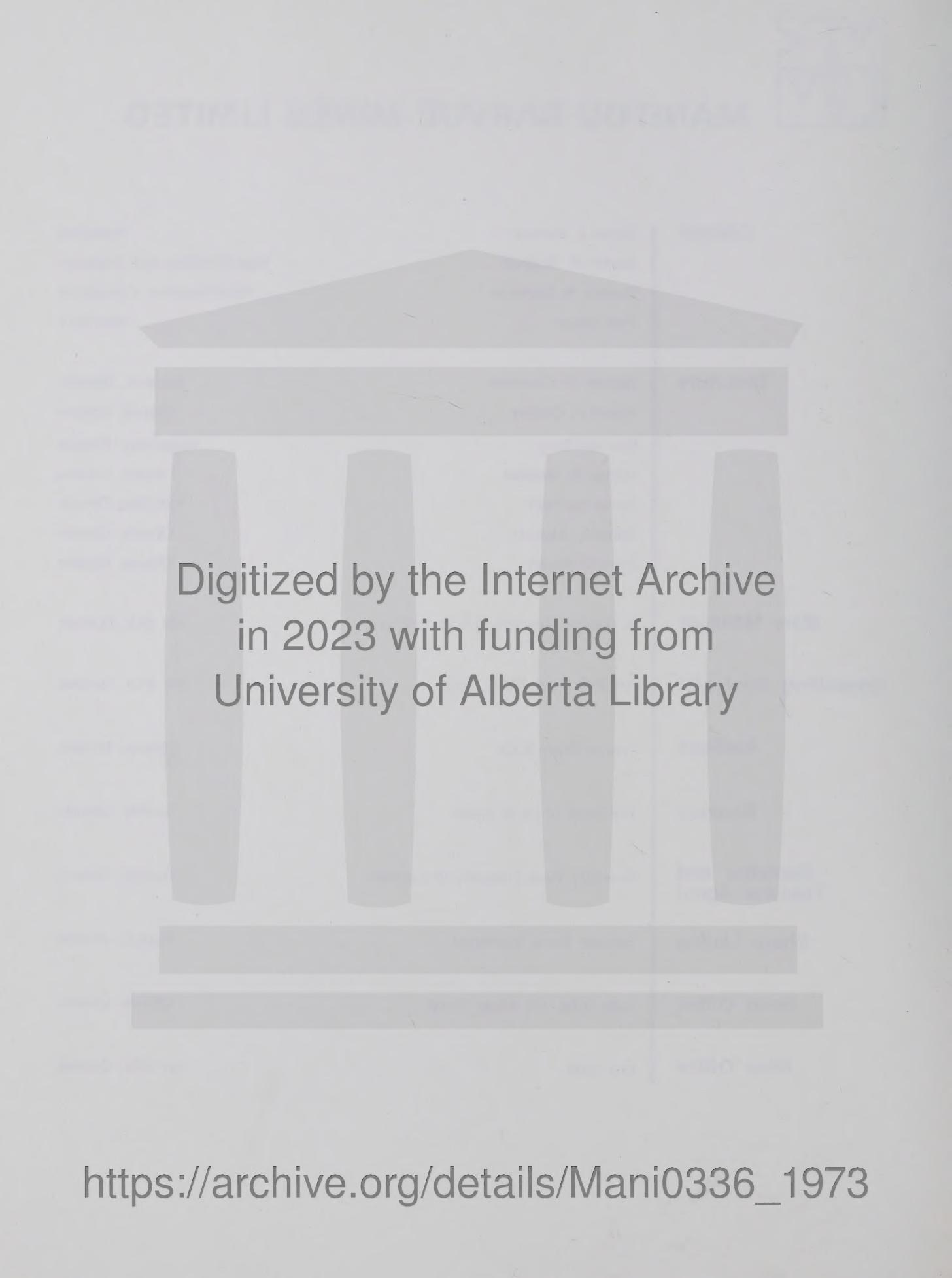
Toronto Stock Exchange	Toronto, Ontario
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Head Office

Suite 2005, 130 Albert Street	Ottawa, Ontario
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Mine Office

Box 1500	Val d'Or, Quebec
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Report of the Directors

To the Shareholders

Your Directors submit their report for the year ended 31 December 1973. Included herein are the report of the Mine Manager and the audited financial statements.

Financial and Operating Results

Income for 1973 showed a marked improvement and increased to \$683,696 or 17¢ per share as compared to a loss of \$27,631 or 0.7¢ per share in 1972. Including an extraordinary gain of \$236,347, through the Company's purchase for cancellation of \$934,200 principal amount of its 5% convertible debentures, net income for 1973 amounted to \$920,043 or 23¢ per share. This profit improvement in 1973 is a result of increased metal production and higher metal prices.

About 400,000 tons of silver-zinc ore were added to ore reserves during the year principally as a result of higher silver and zinc prices. After production of 197,930 tons of silver-zinc ore in 1973, ore reserves at year end amounted to 1,220,900 tons as compared with 1,016,971 tons of a higher grade ore at the end of 1972. Ore reserve details are contained in the Mine Manager's report.

Company Outlook

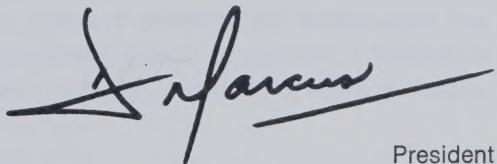
It is anticipated that silver and zinc prices should remain strong during the year which would permit the Company to report significantly higher profits in 1974, despite appreciable increases in costs in every sector of our operations.

We are optimistic that it will be feasible to place our Barraute Township property into production at the rate of 1,000 tons per day during the latter part of 1975. It is anticipated that an assessment of the condition of the incline tunnel and underground workings of this property will have been completed by the end of the summer.

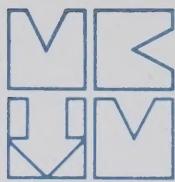
The Company intends to intensify its efforts in exploration and development at the mine where there are many areas with potential for finding new ore zones. It is also proposed that substantially larger expenditures be made on outside exploration. A wholly-owned subsidiary, Manitou Mining Company Inc., has opened an office in Las Vegas, Nevada, under an experienced exploration manager, to seek opportunities for participation in the exploration of properties in the western areas of the United States which warrant further testing for gold and silver in particular. Work currently is being conducted on the "Boss Mine" property in the Goodsprings Mining District of Nevada, which was a former modest producer of exceptionally high grade gold, platinum, palladium and copper ore.

The overall prospects for your Company have never been brighter than at present.

On behalf of the Board of Directors,



President



Report of the Mine Manager

To the President and Directors:

This report summarizes operations at the Company's mine in the Val d'Or area, Quebec, for the year ended 31 December 1973, together with comparative figures, where applicable, for the previous year.

PRODUCTION

Production was increased during the year so that the mill was operating near capacity by year end. A total of 197,930 tons of silver-zinc ore were treated in 1973. Comparative grades of silver-zinc ore treated in 1973 and 1972 are as shown hereunder:

	1973	1972
Silver	2.96 oz.	4.68 oz.
Zinc	2.07%	1.16%
Gold	.016 oz.	.014 oz.
Lead	0.30%	0.33%

The following is a comparison of metal production for 1973 and 1972:

	1973 Amount Produced (12 month period)	1972 Amount Produced (6 month period)
Silver	439,631 ozs.	226,527 ozs.
Zinc	5,935,605 lbs.	998,710 lbs.
Copper	67,312 lbs.	23,819 lbs.
Gold	2,598 ozs.	703 ozs.
Lead	798,932 lbs.	267,899 lbs.

CUSTOM MILLING

A total of 253,323 tons of copper ore of Louvem Mining Company was milled on a custom basis in 1973, as compared with 272,212 tons of Louvem copper ore in 1972.

MINING AND EXPLORATION

A shortage of qualified personnel resulted in the mine not being able to reach full scale production as early in 1973 as had been anticipated. This shortage of manpower also curtailed stope preparation and necessitated the complete cessation of exploration and development. Whilst we continue to experience a shortage of mining personnel, we are currently in a position to permit a satisfactory amount of stope preparation and other development work to be carried out.

ORE RESERVES

Silver-zinc ore reserves at 31 December 1973, after an allowance for dilution, are as tabulated hereunder, compared with 1,016,971 tons of ore with an average grade of 4.42 ozs. silver, 3.14% zinc, .023 ozs. gold and 0.37% lead at the end of 1972.

	Tons	Ozs. Silver	% Zinc	Ozs. Gold	% Lead
Broken Ore	50,600	3.55	2.46	.012	0.36
Proven Ore	371,900	4.00	2.74	.024	0.44
Indicated Ore	798,400	3.93	2.81	.021	0.21
TOTAL	<u>1,220,900</u>	<u>3.94</u>	<u>2.77</u>	<u>.021</u>	<u>0.28</u>

Copper ore reserves remain unchanged at 99,262 tons grading 1.11% copper, .01 ozs. gold and .13 ozs. silver.

R. G. MUSCROFT,
Mine Manager.

15 April, 1974.

BALANCE SHEET - DECEMBER 31, 1973

(with comparative figures at December 31, 1972)

assets

Current Assets

Cash	.....
Accounts receivable	.....
Metal concentrates (note 1)	.....
Prepaid expenses	.....

Other Assets

Operating supplies, at cost	.....
Investment in shares of an associated company, at cost plus equity in earnings since acquisition	.....
Option on mining claims (note 3)	.....
Property held for resale, at cost	.....

Fixed Assets

Plant, buildings and equipment, at cost	.....
Less accumulated depreciation	.....
Mining lands and rights, including surface rights, at cost acquired for 123,897 shares of capital valued at \$150,846 and \$90,651 cash	.....

liabilities

Current Liabilities

Bank loan (note 4)	.....
Accounts payable and accrued liabilities	.....
Principal due within one year on long term debt	.....
Mining taxes payable	.....

Provision for Severance Pay

Long Term Debt

5% Convertible sinking fund debentures (note 5)
In U.S. funds
In Canadian funds

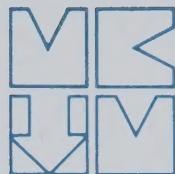
6.75% Mortgage payable
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Less principal included in current liabilities
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shareholders' equity

Capital Stock (notes 5 and 6)

Authorized — 8,500,000 shares without par value
Issued — 3,793,553 shares (1972, 3,791,973 shares)	.....
Deficit	.....



MANITOU-BARVUE MINES LIMITED

(Incorporated under the laws of Ontario)

	1973	1972
\$ 39,969	\$ 46,616	
159,220	63,470	
817,734	346,308	
12,617	12,177	
<u>1,029,540</u>	<u>468,571</u>	
180,217	168,790	
339,957	342,562	
40,000	40,000	
<u>126,067</u>	<u>551,352</u>	
<u>686,241</u>		
1,052,106	962,928	
701,011	636,598	
<u>351,095</u>	<u>326,330</u>	
<u>241,497</u>	<u>241,497</u>	
<u>592,592</u>	<u>567,827</u>	
<u>\$2,308,373</u>	<u>\$1,587,750</u>	
\$ 600,000	\$ 40,000	
350,092	163,332	
1,050		
6,000	36,370	
<u>957,142</u>	<u>239,702</u>	
	<u>10,600</u>	
12,029	946,229	
49,140	50,325	
<u>61,169</u>	<u>996,554</u>	
<u>28,990</u>		
<u>90,159</u>	<u>996,554</u>	
<u>1,050</u>		
<u>89,109</u>	<u>996,554</u>	
3,333,219	3,332,034	
2,071,097	2,991,140	
<u>1,262,122</u>	<u>340,894</u>	
<u>\$2,308,373</u>	<u>\$1,587,750</u>	

AUDITORS' REPORT

To the Shareholders of
Manitou-Barvue Mines Limited

We have examined the balance sheet of Manitou-Barvue Mines Limited as at December 31, 1973 and the statements of income, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1973 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in accounting for an effectively controlled company, as set out in note 2, on a basis consistent with that of the preceding year.

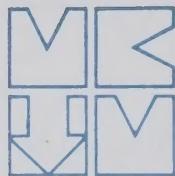
THORNE GUNN & CO.
Chartered Accountants

Toronto, Canada
February 1, 1974

Approved by the Board:

D.L. MARCUS
M. R. GOLDHAR

Director
Director



MANITOU-BARVUE MINES LIMITED

statement of income

Year Ended December 31, 1973

(with comparative figures for 1972)

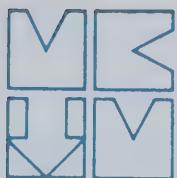
	<u>1973</u>	<u>1972</u>
Metal production	\$2,177,830	\$ 494,367
Custom milling	757,457	794,679
	<hr/>	<hr/>
Mine operating expenses, other than undernoted	2,935,287	1,289,046
	2,087,933	1,146,445
	<hr/>	<hr/>
Other income (loss)	847,354	142,601
	94,200	(7,319)
	<hr/>	<hr/>
Other expenses	941,554	135,282
	<hr/>	<hr/>
Mining taxes	6,000	
Outside exploration	9,951	
Administrative and general	130,350	102,484
Interest	44,545	1,458
Depreciation	64,407	59,346
	<hr/>	<hr/>
	255,253	163,288
	<hr/>	<hr/>
Interest in (earnings) loss of associated company (note 2)	686,301	28,006
	<hr/>	<hr/>
Income (loss) before extraordinary item	2,605	(375)
Gain on purchase for cancellation of 5% convertible sinking fund debentures (note 5)	683,696	(27,631)
	<hr/>	<hr/>
Net income (loss) for the year (note 7)	236,347	
	<hr/>	<hr/>
	\$ 920,043	\$ (27,631)
	<hr/>	<hr/>
Earnings (loss) per share		
Income (loss) before extraordinary item	17¢	(0.7¢)
Net income (loss) for the year	23¢	(0.7¢)

statement of deficit

Year Ended December 31, 1973

(with comparative figures for 1972)

	<u>1973</u>	<u>1972</u>
Deficit at beginning of year	\$2,960,395	\$2,932,389
As previously reported	<hr/>	<hr/>
Adjustment for changes to the equity basis of accounting for investment in an associated company (note 2)	30,745	31,120
	<hr/>	<hr/>
As restated	2,991,140	2,963,509
Net income (loss) for the year	920,043	(27,631)
Deficit at end of year	<hr/>	<hr/>
	\$2,071,097	\$2,991,140

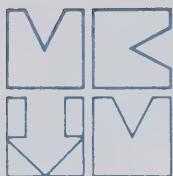


statement of source and application of funds

Year Ended December 31, 1973

(with comparative figures for 1972)

	<u>1973</u>	<u>1972</u>
Source of funds		
Operations		
Net income (loss) for the year	\$ 920,043	\$ (27,631)
Deduct items not involving current funds	169,329	100,319
	<u>750,714</u>	<u>72,688</u>
Mortgage payable on property held for resale	27,940	
Issue of capital stock on conversion of 5% convertible sinking fund debentures	1,185	
	<u>779,839</u>	<u>72,688</u>
Application of funds		
Reduction in 5% convertible sinking fund debentures		
Purchased for cancellation	697,853	
Converted to capital stock	1,185	
Purchase of property held for resale	126,067	
Additions to fixed assets	89,178	24,037
Reclassification of provision for severance pay as a current liability	10,600	48,491
Increase in operating supplies	<u>11,427</u>	
	<u>936,310</u>	<u>72,528</u>
Increase (decrease) in working capital	(156,471)	160
Working capital at beginning of year	228,869	228,709
Working capital at end of year	<u>\$ 72,398</u>	<u>\$ 228,869</u>



MANITOU-BARVUE MINES LIMITED

notes to financial statements

Year Ended December 31, 1973

1. Metal Concentrates

Metal concentrates awaiting shipment, in transit and at smelters and refineries, are included in the balance sheet at estimated realizable values, based on prices prevailing, or expected to prevail, on the dates of settlement with the smelters and refineries, less estimated smelting, refining and marketing charges.

2. Investment in Shares of an Associated Company

During the year, pursuant to a recommendation of the Canadian Institute of Chartered Accountants, the company retroactively changed its method of accounting for its investment in shares of Quebec Manitou Mines Limited, a company interpreted as being effectively controlled, from the cost to the equity basis. The company's share of earnings of this effectively controlled company is reflected in the statement of income with a corresponding adjustment to the value at which the investment is carried on the balance sheet.

Accordingly, deficit at January 1, 1972 has been increased by \$31,120, with a corresponding reduction in the carrying value of the investment.

The company interprets that it has effective control of Quebec Manitou Mines Limited as it owns 24.2% of the issued shares, the largest single shareholding of that company, and because both companies have certain officers and directors in common.

This retroactive change in accounting practice has no material effect on net income for the year.

Details of the investment in Quebec Manitou are as follows:

	<u>1973</u>	<u>1972</u>
Balance at beginning of year		
At cost, as previously reported	\$ 373,307	\$ 373,307
Adjustment for change to the equity basis	30,745	31,120
As restated	<u>342,562</u>	<u>342,187</u>
Interest in earnings (loss) for the year	(2,605)	375
Balance at end of year		
(Quoted market value 1973, \$115,000; 1972, \$86,500) ..	<u>\$ 339,957</u>	<u>\$ 342,562</u>

Because of the number of shares involved, the quoted market value is not necessarily indicative of the amount which would be realized if this investment were sold.

3. Option on Mining Claims

By agreement dated May 12, 1971, the company issued 40,000 shares of its capital stock as consideration for an option to acquire an interest in 24 mining claims in Bourlamaque Township, Quebec. The option is in good standing until June 30, 1976 and may be extended to June 30, 1981 by issuing to the optionor an additional 35,000 shares unless the company has put the claims into production.

The company must spend sufficient funds to keep the property in good standing and may elect to put the property into production at its sole expense. The company is entitled to be reimbursed

for its expenditures out of net cash flow and thereafter profits are to be allocated 75% to the company and 25% to the optionor.

4. Bank Loan

The bank loan is secured by a general assignment of book debts and by a floating charge on all the assets of the company, subject only to the prior claim of the holders of the 5% convertible sinking fund debentures.

5. Convertible Sinking Fund Debentures

Principal

The 5% convertible sinking fund debentures mature December 31, 1977. Sinking fund requirements have been met to December 31, 1968 and a supplemental indenture provides that no further sinking fund payments are required until May 15, 1975.

During the year, the company purchased for cancellation directly from holders \$934,200 principal amount of debentures at a cost of \$697,853, resulting in a gain of \$236,347. The debentures purchased by the company have been delivered to the trustee for cancellation.

The debenture holders have the right under a supplemental indenture to convert their debentures into shares of the company at \$.75 per share to December 31, 1976. During the year 1,580 shares were issued on conversion (none in 1972) and 81,559 shares remain reserved for future conversions.

Interest

Payment of interest for each of the years 1972 and 1973 has been waived by the debenture holders under a supplemental indenture.

6. Capital Stock

At December 31, 1973, there were outstanding options to employees, under the company's incentive stock option plan, to purchase 75,000 shares of the capital stock of the company at the price of \$1.00 per share. These options are exercisable for a period of five years from the dates that the options were granted, at a cumulative rate of 20% per year, of which options on 50,000 shares expire in 1974 and 25,000 shares expire in 1975.

7. Income Taxes

No provision for income taxes is required as amounts totalling approximately \$9,000,000 (principally capital cost allowances), are available for deduction from future taxable income.

8. Other Statutory Information

Direct remuneration of directors and senior officers (as defined by The Business Corporations Act) is as follows:

	1973	1972
Directors	\$ 50,900	\$ 43,400
Senior employees	66,000	59,227
	<hr/> <u>\$ 116,900</u>	<hr/> <u>\$ 102,627</u>

